

Certainly, if these changes take place, together with such developments as a softening of secret police control, the monolithic character of the Soviet Bloc political and economic structure will undergo significant alteration. The basic nature of the satellite economic system will undoubtedly have changed and these changes may extend into the Soviet system itself. In fact, there have already been signs of decentralization in the Soviet Union, signs that appeared even before the death of Stalin. Where all this leads, whether the changes will come gradually or violently, whether these changes will in fact benefit U. S. security interests, no one really knows.

Regardless of the future, however, the present size and composition of the Soviet economy have already made the Soviets a ^{real} threat to the free world. They now have an economy which has shown its capacity to produce a complex family of modern weapons, and recently they have challenged the U. S. to economic competition in the underdeveloped countries of the free world.

And on that note, gentlemen, I'll sign off and turn you over to _____

Early in his address, Gomulka was very explicit in his recognition of Poland's industrial growth under the communist regime. He clearly was not complaining about Poland's rate of industrial progress. The difficulty, he said, was in the tragic human cost, the deep popular resentment of the system, and its tremendous inefficiency. Consumer goods, including food and housing, had lagged badly behind industrial production, and the peasants were chafing under pressure for collectivization. Party repression of the workers and plant managers had destroyed incentive and initiative, and in one of Poland's leading industries--coal mining--productivity had dropped sharply under communist control, and output had been maintained only through a staggering burden of overtime and holiday work. In outlining the cures for this situation, Gomulka essentially demanded more emphasis on consumer goods, less on heavy industry; a cessation of forced collectivization, and reduced government subsidies to collective farms; more authority and initiative for plant managers and workers; and less interference by the Soviets and the political bureaucracy.

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387 billion dollars. We can see from the chart that in 1950 Soviet GNP was 32 percent of the U. S.; in 1955, 38 percent; in 1960, it will approximate 44 percent. Looking at this from the point of view of annual growth rates in these two economies, the Soviet GNP has increased at the rate of 7 percent annually--the U. S. at a rate of 3 1/2 percent, or only half the Soviet rate.

Now, if we project U. S. and Soviet economic progress into the future, we must accept the possibility of a Soviet ^{industrial output} ~~national product~~ ^{that of} exceeding the U. S. in the next 25 to 30 years. This, of course, assumes that the kinds of crises that George Kennan predicts for the Soviet Union will not occur. And Kennan may be right. The Soviets have problems in agriculture, labor productivity, rising costs of raw materials, and other problems which you'll hear about later on, but there are also potential problems inherent in the structure of the economy. Many of the characteristics of the Soviet system are also apparent in the economies of Poland and Hungary, and it is some of these very characteristics that have been partly responsible for the present crisis. In Gomulka's bill of complaints, for example, this was made very clear.

It is the consumer who is the forgotten man of the Soviet economy. In 1955, his share of the national product was only 58 percent compared to 66 percent of a much larger economy in the U. S. In addition, we should stress that the 58 percent figure is an inflated one, since the consumer goods sector is about the most inefficient sector of the Soviet economy. Actually, we estimate Soviet per capita consumption at about one-fifth that of the United States. Under the present Five Year Plan, ^{per capita} consumption is to rise by only 4 percent a year, and since agricultural products are the main item of consumption, a great deal will depend on the success of the agricultural plan and the new lands program which will be discussed later. Having looked at the composition of the national product, we can turn now to a comparison of this product with the gross national product of the U. S.

CHART 2
(US-USSR GNP)

In 1955, the GNP of the USSR was about 145 billion dollars; the U. S. GNP in this year was about

let's examine the pattern of Soviet economic progress.

CHART 1
(Gross National Product of the USSR)

In 1955, about 26 percent of their total productive effort was devoted to investment and, in 1960, this will probably equal 30 percent. By comparison only about 18 percent of U. S. output is kept aside for investment purposes, and this is the highest percentage we have achieved in the postwar period. *heavy to light 10.1*

The allocations to defense in 1955 were 14 percent of the national product, whereas the U. S. expended about 11 percent of a gross national product two and a half times that of the Soviet Union. As a matter of simple arithmetic, it would appear then that total U. S. defense expenditures greatly exceed those of the Soviet Union, but, in fact, the Soviets obtained defense goods and services roughly equivalent in value to those of the U. S., first, because the pay and subsistence of Soviet military personnel costs considerably less and, second, because Soviet defense and defense-supporting industries are part of the most efficient sectors of their economy.

communism, it is not surprising that the Soviets have developed a system primarily designed to expand their industrial and military ^{Capabilities} ~~power~~. This means that all other considerations in the economy have been subordinated to military and industrial priorities. In addition, the economic system has been characterized: first, by the mobilization and allocation of all resources under a centralized bureaucratic structure, with the injection of secret police and communist party controls into practically every administrative layer of the economy; second, by the allocation of an exceptionally large portion of the national output to investment. A significant aspect of this, though it may not be considered investment in the popular sense, is the effort assigned to training and education, particularly in the scientific and technical fields; third, by the regimentation of the peasantry into a collective farm system, a system that has enabled the Soviets to transfer millions of farm workers to urban occupations; and, finally, by the assignment of a relatively small share of resources to consumer goods production, including foodstuffs. With these characteristics as background,

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You probably know from your reading assignment
Gentlemen, we are talking today about an economy which could conceivably overtake the U. S. in total *industrial* production within the next 20 to 30 years. To many *Some find hard to believe* people brought up on the virtues of free enterprise, this might seem impossible. George Kennan, one of the foremost authorities on the Soviet system said recently in the Saturday Evening Post that the entire Soviet politico-economic system is inherently wrong, quote, wrong about how the world really works, wrong about the importance of moral forces, wrong about human nature, wrong in its whole outlook, close quote. I happen to share this view for the long haul as a matter of personal philosophy, but, for the present, the threat is still a formidable one. This being the case, we have to ask ourselves--What is the source of ~~the~~ *Soviet* power?

Since communist doctrine preaches that materialism and economic forces are the major determinants leading to the ultimate victory of